UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

DEVAL DENIZCILIK VE TICARET A.S.,

Plaintiff,

07 CIV 3397 (JGK)

- against -

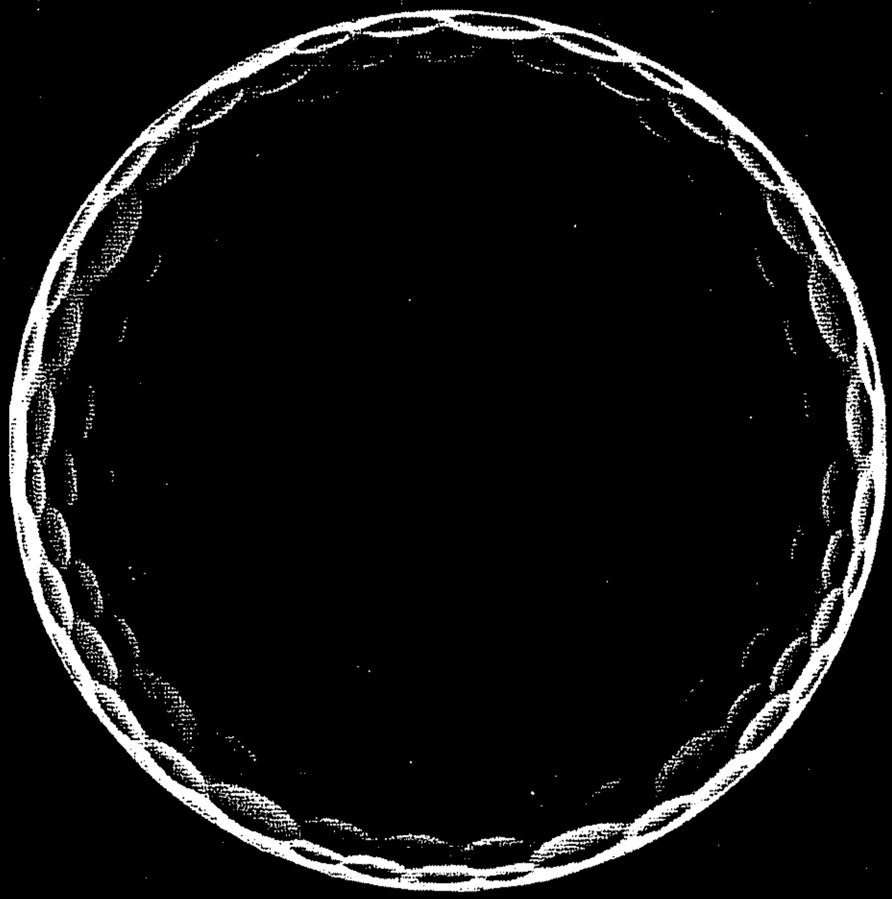
REPINTER INTERNATIONAL SHIPPING CO. S.A. and MIACHART CORPORATION LLC,

Defendants

EXHIBIT 5 to the Declaration of Epaminondas G. Arghyrakis
Dated 18.06.07

QBE

ANNUAL REPORT 2006



Limit

SYNDICATE 2999 OPERATES FIVE AUTONOMOUSLY MANAGED SUB-SYNDICATES, WRITING A BROAD RANGE OF BUSINESS. SYNDICATE 2999 IS MANAGED BY LIMIT UNDERWRITING LIMITED, THE LARGEST MANAGING AGENT AT LLOYD'S.

Limit is the Lloyd's division of QBE European Operations, which is part of QBE Insurance Group, one of the world's leading insurers and reinsurers, with a 2006 gross written premium of A$10,372 million. Headquartered in Sydney, Australia, QBE operates out of 44 countries and has a presence in all of the world's key insurance markets.

QBE Insurance Group

QBE European Operations

Limit Underwriting Limited – Lloyd's Division

Syndicate 2999

[illegible]

Syndicate 1886

Syndicate 2000

Frank O'Halloran
Chief Executive Officer, QBE Insurance Group

Steven Burns
Chief Executive Officer, QBE European Operations

QBE vision
To be internationally recognised as:

> A highly successful general insurance and reinsurance group

> A builder of shareholders' wealth

> A developer of "can do" people

> An organisation that excels in the continuous delivery of new and proven quality products and services

QBE values
> Increasing the long term wealth of shareholders

> Customer satisfaction and retention

> Employee motivation

> Integrity

LIMIT OVERVIEW

IN WHAT WAS A PREDOMINANTLY CATASTROPHE FREE LOSS YEAR, LIMIT'S SYNDICATES ACHIEVED AN AGGREGATE COMBINED OPERATING RATIO OF 82.1% FOR 2006. THIS WAS A SIGNIFICANT CONTRIBUTING FACTOR IN QBE INSURANCE GROUP ACHIEVING ITS BEST RESULT ON RECORD.

Limit provided approximately 26% of QBE's global gross written premium in 2006. The Group's continued commitment to the Lloyd's market is evidenced by the creation of two new syndicates, 1886 and 5555, during 2006 which add to Limit's strength in diversity and its superior ability to manage the cyclical nature of the business.

Limit is one of the largest and most successful managing agents at Lloyd's, with £1.12 billion of capacity under management, representing 7% of the market. This, coupled with QBE Insurance (Europe) Limited, the company division of QBE European Operations, gives QBE an unrivalled presence in the London insurance market.

Limit's philosophy is based on underwriting specialism, leadership and continuity, which combined with the highest quality of products, enables it to provide a secure, professional environment to fully service clients' insurance needs.

HIGHLIGHTS

> 2006 combined operating ratio of 86.6% (2005 114.1%)

> 2006 GWP of £799 million (2005 £619 million)

> Establishment of new sub-syndicates 1886 (non-marine liability) and 5555 (aviation) for 2006

> 2007 capacity of £780 million (2006 £660 million)

STRENGTHS OF THE SYNDICATE

> Part of Limit Underwriting Limited, the largest managing agent at Lloyd's with:

- £1.12 billion of underwriting capacity for 2007;
- £644 million of total funds at Lloyd's in support of all underwriting activities; and
- £2.4 billion of total funds under management

> Flexible sub-syndicate structure permitting a high degree of autonomy for each of the underlying sub-syndicates

> 100% QBE capital – capital to support Syndicate 2999 is provided entirely by QBE Corporate Limited, part of QBE Insurance Group Limited (S&P, "A+" strong)

> Strategic flexibility and efficiencies available to 100% aligned syndicates

> Lloyd's security – Policies issued by the sub-syndicates benefit from the security and expertise of the Lloyd's insurance market (S&P, "A" (strong)/A M Best, "A" (Excellent))

> S&P LSA "3+" – S&P interactive Lloyd's Syndicate Assessment of "3+" reflects the strength of support provided by QBE and its superior operational management

AT A GLANCE

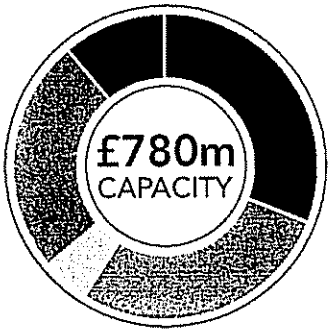
FOR 2007, SYNDICATE 2999 COMPRISES FIVE SUB-SYNDICATES WITH A COMBINED UNDERWRITING CAPACITY OF £780 MILLION AND IS THE PRIMARY ENTITY FROM A LLOYD'S REPORTING AND REGULATORY PERSPECTIVE.

Under this arrangement, sub-syndicate underwriters retain a high degree of autonomy to determine and fulfil their underwriting strategies, whilst benefiting from the combined size, strength and capital base of the umbrella syndicate.

2999 is a wholly aligned syndicate, whereby 100% of its capital is provided by QBE Insurance Group. Sub-syndicate capacity allocations are not restrictive and may be adjusted within the overall umbrella allocation. This means the team can respond to underwriting opportunities as they arise, whilst minimising the cost of capital provision.

Each of the sub-syndicates (referred to herein as syndicates) have established licences and premium trust funds under their own number for the specific types of business they underwrite. They are all licensed and accredited to underwrite both surplus lines and reinsurance business in the United States and have funded trust funds in accordance with local regulatory requirements.

FOR 2007, SYNDICATE 2999 COMPRISES



> SYNDICATE 566

£245 MILLION (31%)

Active Underwriter – Jonathan Parry
Reinsurance

International Treaty
Ulrich Loessl
North American Treaty
Paul Horgan
Marine
David Adams
Aviation
Richard Sammons
Personal Accident
Peter Wilkins
Worldwide and Retrocession
Jonathan Parry

[illegible]

£35 MILLION (5%)

Non-Marine Liability

Ash Bathia
Jennie Seabrook
Phil Needham
Shaqeel Hussain
Steve Stone
Mike Bridgeman

> SYNDICATE 1036

£220 MILLION (28%)

Active Underwriter – Colin O'Farrell
Marine and Energy

Cargo
Tim Pembroke
Liability
Daryl Ewer
Energy Offshore
Sam Harrison
Energy Onshore
Steven Saunders
Specie
Ryan Joseph
Hull and War
Haydn Costin
Political Risk and Violence
Nicky Ablett

> SYNDICATE 2000

£195 MILLION (25%)

Active Underwriter – David Woodruff
Non-Marine Casualty, Property and Specialty

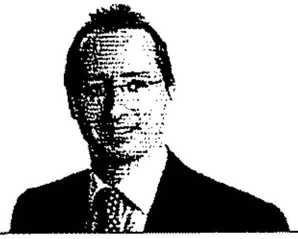
US Casualty Treaty
Jonathan Sutcliffe
International Casualty Treaty
Richard Fothergill
Property Binders
Martin Rowling
Property Direct [illegible]
Andrew Stout
Financial Institutions
Adrian Fox

> SYNDICATE 5555

£85 MILLION (11%)

Active Underwriter – Emilio Di Silvio
Aviation

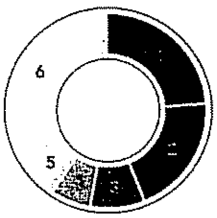
General Aviation
Anthony Prokopiou
Airlines
John Bowman
Products and Airports
Graham Daldry



Jonathan Parry
Active Underwriter

SYNDICATE 566 IS A LEADING EXCESS OF LOSS REINSURANCE SYNDICATE SPECIALISING IN NON-MARINE PROPERTY, AVIATION, MARINE AND PERSONAL ACCIDENT BUSINESS IN THE LLOYD'S MARKET.

2007 PLANNED PRODUCT PORTFOLIO



> 1 International Treaty 24%
> 2 North American Treaty 20%
> 3 Marine 9%
> 4 Aviation 6%
5 Personal Accident 8%
6 Worldwide and Retrocession 33%

UNDERWRITING REINSURANCE TREATIES FROM MOST PARTS OF THE WORLD, 566'S UNDERWRITERS HAVE AN IN-DEPTH KNOWLEDGE OF THEIR CLIENTS AND THE TERRITORIES IN WHICH THEY OPERATE.

THE USE OF SOPHISTICATED CATASTROPHE MODELS ENABLES IT TO ESTIMATE THE MAGNITUDE AND FREQUENCY OF LARGE EVENTS AND TO ANALYSE AND UNDERSTAND ITS CLIENTS' PORTFOLIOS EFFECTIVELY.

STRENGTHS OF THE SYNDICATE

> Increased capacity to £245 million, part of an overall umbrella Syndicate 2999 capacity of £780 million

> Flexibility and strength benefits of umbrella syndicate structure

> High margin business due to avoidance of attritional losses

> Long term relationships established through lead underwriting capability

> Experienced team of underwriting professionals

> Funds of £145 million, part of total umbrella Syndicate 2999 funds of £1.1 billion

> Strong profit record

> 1 Syndicate 566 £245 million 31%

International Treaty 24%
Ulrich Loessl
This book comprises risk and catastrophe excess of loss business for a select number of non-US insurers. It is principally reinsurance for the largest insurance companies in any one territory. The largest of these is Europe, but we also lead reinsurance programmes in Asia, Latin America, Australasia and South Africa. In addition, our agricultural book writes crop insurance in these territories.

North American Treaty 20%
Paul Horgan
We have a lead role in the London market for underwriting regional catastrophe business and our underwriters travel extensively throughout North America to visit clients. Since the nationwide account was transferred from Syndicate 2000 for the 2005 year, the North American account is mostly regional, but also comprises a small amount of nationwide excess of loss business. In addition, we write an agricultural book in the US and Canada.

Marine 9%
David Adams
We write marine business in approximately 50 territories, the largest of which are the UK, continental Europe and the US. We cover all aspects of the marine account, including hull, cargo, energy, liabilities and war.

Aviation 6%
Richard Sammons
We are a recognised market leader in aviation excess of loss, predominantly attaching at an original market loss level of US$500 million. We also underwrite a satellite portfolio through a specialist agency, as well as a general aviation excess of loss book.

Personal Accident 8%
Peter Wilkins
We write excess of loss and facultative & direct business on a worldwide basis. The excess of loss account, written on a risk and on a catastrophe basis, covers personal accident, life and travel portfolios. The facultative & direct business, which incorporates a wide range of accident benefits, offers cover to a broad range of occupations.

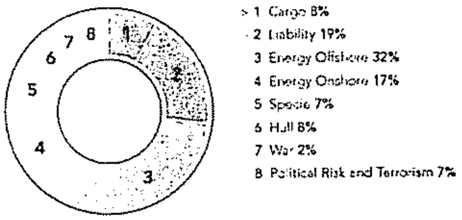
Worldwide and Retrocession 33%
Jonathan Parry
This, the syndicate's largest portfolio, is a leading retrocession book in the reinsurance market. It features reinsurance protections of other reinsurers, as well as global insurance programmes.

Claims
Richard Frake
Our adjusters are authorised by the Active Underwriter to handle all classes of business. Technical strengths are combined with a pragmatic claims handling philosophy, which recognises the need for proactive and flexible claims management.

Colin O'Farrell

SYNDICATE 1036 IS A LEADING SYNDICATE UNDERWRITING IN THE LLOYD'S MARKET, SPECIALISING IN HULL, ENERGY, LIABILITY, SPECIE, CARGO, WAR AND ALLIED RISKS.

2007 PLANNED PRODUCT PORTFOLIO



ESTABLISHED IN 1987, THE SYNDICATE UNDERWRITES A WORLDWIDE ACCOUNT, REQUIRING UNDERWRITERS TO HAVE A COMPREHENSIVE KNOWLEDGE OF THEIR CLIENTS' BUSINESSES AND THE TERRITORIES IN WHICH THEY OPERATE.

THE USE OF SOPHISTICATED SOFTWARE, COMBINED WITH EXTENSIVE TRAVEL, ENABLES THE SYNDICATE TO ANALYSE AND UNDERSTAND ITS CLIENTS' NEEDS EFFECTIVELY.

STRENGTHS OF THE SYNDICATE

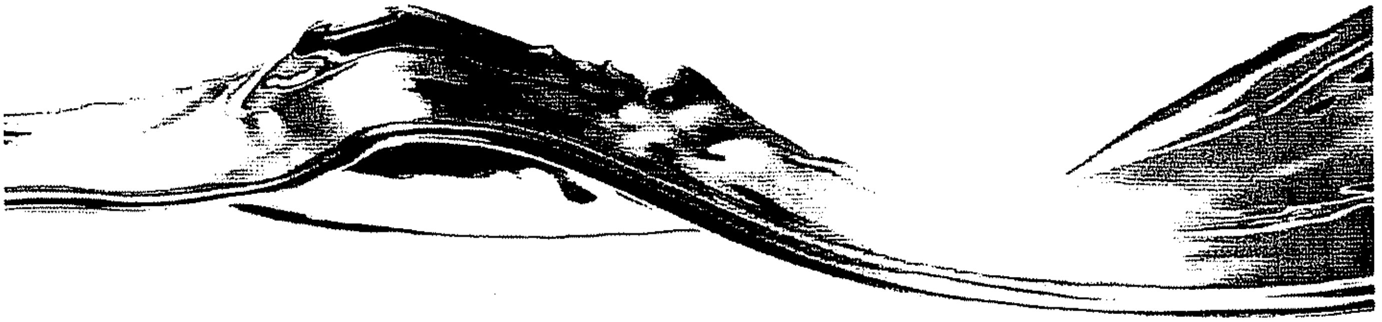
> Increased capacity to £220 million, part of an overall umbrella Syndicate 2999 capacity of £780 million

> Flexibility and strength benefits of umbrella syndicate structure

> Experienced specialist underwriting and support teams

> Strong consistent record of high performance

> Funds of £273 million, part of total umbrella Syndicate 2999 funds of £1.1 billion



- 2 Syndicate 1036 £220 million 28%

Cargo 8%
Tim Pembroke
We write a high quality portfolio of cargo business and are recognised as a leader in high-tech, pharmaceutical and manufactured goods, as well as excess cargo business. We emphasise the value of long term relationships with our clients and work with them to develop mutually beneficial risk control programmes.

Liability 19%
Daryl Ewer
We are a major leading underwriter in the global liability market, with an account produced from all the major brokers worldwide and from industry specialists. The account comprises pure marine coverages such as P&I, pollution, charterers, stand alone energy liabilities and package policies.

We work closely with our colleagues in hull and energy, particularly offshore, and we specialise in tailoring complex and unusual coverages to clients' needs and requirements. We are the leading underwriter to many international group P&I associations, providing extended coverages over and above those offered by club rules as well as reinsurance capacity and solutions.

Energy Offshore 32%
Iain Harrison
We write a portfolio of risks worldwide, from dedicated upstream and downstream entities to fully integrated energy companies. We insure offshore risks for oil and gas companies worldwide, specialising in offshore insurance for assets located in the North Sea and the Far East, particularly China. Approximately 60% of the business written is in a lead capacity.

Energy Onshore 17%
Stephen Saunders
We insure a wide range of onshore assets for oil and gas companies worldwide, from well heads to refineries to petro-chemical plants, with particular dominance in the Middle East and Indonesia. Approximately 75% is written in a lead capacity.

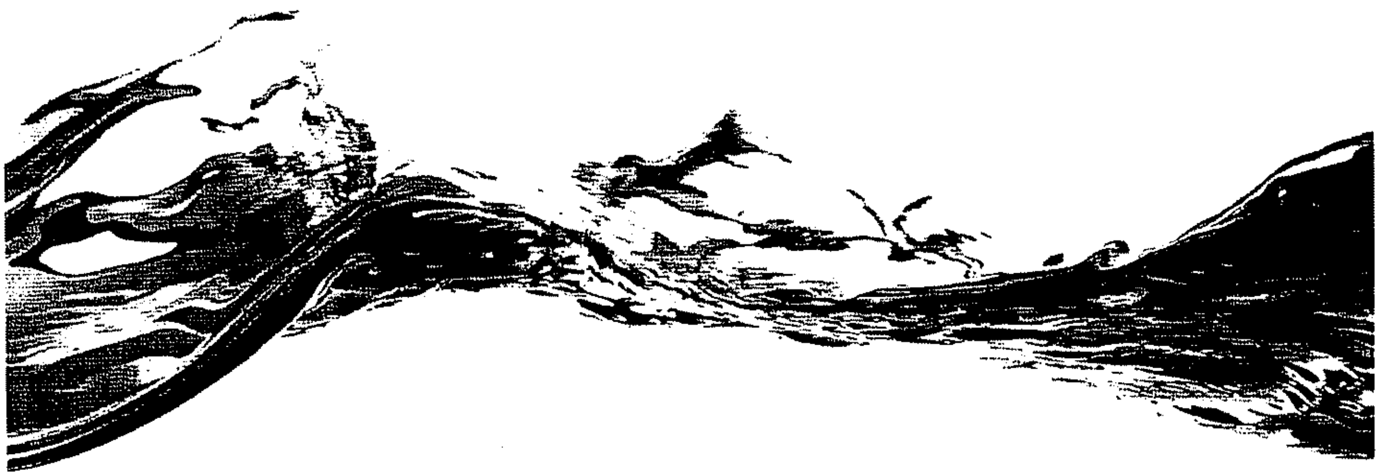
Specie 7%
Ryan Joseph
We underwrite a worldwide account specialising in the areas of armoured car, general specie, fine art and jewellers' block. Business is written to all the major brokers, dealing with some of the most prominent institutions in the financial sector and art world. We lead approximately 40% of the business we write

Hull 8%
Haydn Costin
We write an established high quality hull account. The portfolio, which principally consists of bluewater vessels, includes a significant proportion of builders' risks, short-tail total loss only, increased value and mortgagees' interest risks. Risks of physical damage to ports, worldwide, are also included. Recognised as leaders in all aspects of the account, we are supported by all the major hull brokers. We maintain a significant presence on marketwide initiatives, for example the Joint Hull Committee, which complement our underwriting.

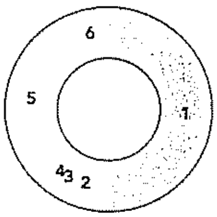
War 2%
Haydn Costin
We write a maritime war account, which includes war risks on vessels, cargo, floating energy risks and marine liabilities. We are an established leader in the class and are instrumental in setting terms and conditions which are followed worldwide.

Political Risk and Terrorism 7%
Nicky Ablett
Through a specialist underwriting team, we have developed a political risk and terrorism portfolio of broad based, worldwide business. This account complements existing areas of the book, but particularly onshore energy, cargo and specie.

Claims
Gary Crowley
Our well respected claims team work closely with our underwriters to ensure claims are managed to an extremely high standard. The claims team have long standing relationships with surveyors, loss adjusters, lawyers and other professional advisers whose expertise can be brought to bear on our response to a claim. We enjoy good working relationships with brokers and London insurance market organisations.



SYNDICATE 1886 WAS ESTABLISHED FOR THE 2006 YEAR AND SPECIALISES IN NON-MARINE CASUALTY AND SPECIALIST PRODUCTS.



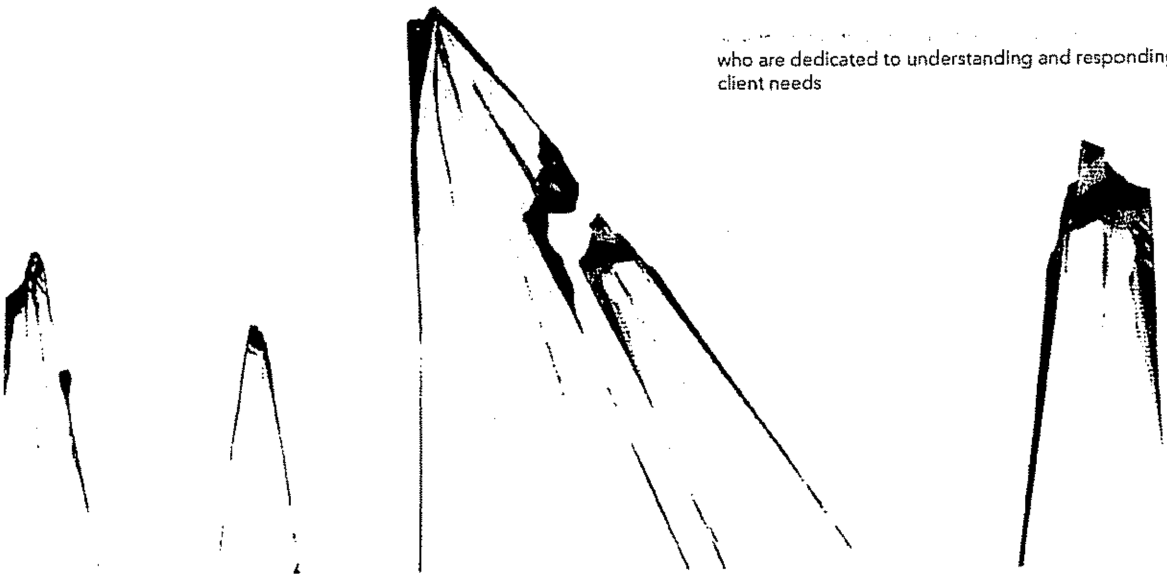
THE BUSINESS IS FOCUSED INTO A NUMBER OF AREAS, EACH WITH A SPECIALIST UNDERWRITING TEAM RESPONSIBLE FOR ITS ACCOUNT. THE UNDERWRITERS HAVE LIMIT UNDERWRITING AUTHORITIES IN ADDITION TO THEIR EXISTING QBE INSURANCE (EUROPE) AUTHORITIES.

BY OPERATING ON THIS BASIS, SYNDICATE 1886 ENABLES QBE COMPANY UNDERWRITERS TO PARTICIPATE IN PREVIOUSLY INACCESSIBLE MARKETS. THIS ADDS SIGNIFICANTLY TO THE COMPANY'S UNDERWRITING CAPABILITIES AND BRINGS NEW BUSINESS TO THE LLOYD'S MARKET.

part of an overall umbrella Syndicate 2999 capacity of £780 million

benefits of umbrella syndicate structure

who are dedicated to understanding and responding to client needs



3 Syndicate 1886 £35 million 5%

We offer a broad spectrum of insurance and reinsurance products backed by extensive experience in all classes. We have dedicated professionals specialising in public liability, product liability, medical malpractice, product recall and directors' and officers' liability.

The crisis management team offers worldwide cover for sabotage and terrorism, contaminated products and kidnap and ransom.

Our team has extensive experience offering worldwide insurance products for bloodstock and equine, livestock, aquaculture, all risks of mortality, infertility, theft and associated risks.

We have developed a reputation for delivering successful insurance programmes covering extended warranty, GAP insurance and creditor, credit life and payment protection.

Aiming to underwrite personal lines portfolios, the overseas motor team targets well managed and administered coverholders with good local knowledge and high integrity anywhere in the world, outside North America.

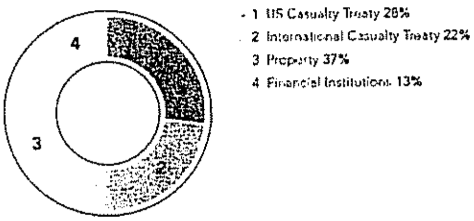
The international leisure & sport team has developed a broad range of insurance products supported by extensive experience in all classes. We have dedicated professionals specialising in leisure and sport related liability and property, general personal accident, high risk personal accident, sports personal accident and film and contingency.

The team is focused on delivering outstanding levels of service to clients across all lines of business. This embedded customer service ethic is supported by innovation and transparency in claims handling and management.

[illegible] Woodruff

SYNDICATE 2000 IS A LEADING PROVIDER OF NON-MARINE INSURANCE AND REINSURANCE PRODUCTS ON A WORLDWIDE BASIS.

[illegible] PLANNED PRODUCT PORTFOLIO



ESTABLISHED FOR THE 2000 YEAR OF ACCOUNT, SYNDICATE 2000 IS ABLE TO OPERATE AS A LEAD MARKET AND DISTINGUISH ITSELF BY OFFERING EXCELLENT SERVICE, WHILST FORGING CLOSE, LONG TERM WORKING RELATIONSHIPS WITH CLIENTS AND PRODUCERS.

STRENGTHS OF THE SYNDICATE

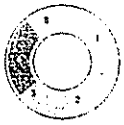
> Increased capacity to £[illegible] million, part of an overall umbrella Syndicate 2999 capacity of £780 million

> Flexibility and strength benefits of umbrella syndicate structure

> Underwriting expertise in chosen classes

> Sophisticated analytical capabilities

> Funds of £672 million, part of total umbrella Syndicate 2999 funds of £1.1 billion



[illegible] Casualty Treaty 28%
[illegible] Sutcliffe
We offer lead capacity on a broad spectrum of North American casualty treaty reinsurance products and structures for professional and standard lines of business, with a focus on mono-line books of business with speciality carriers or departments.

International Casualty Treaty 22%
[illegible] Fothergill
We write a global, excluding US portfolio of casualty treaty business including general liability, credit and bonding, professional lines and motor. We have developed relationships with many cedents across the globe and the team is widely respected in the market.

[illegible]
[illegible]
[illegible]
We underwrite a select number of property related and commercial vehicle facilities, enabling agents to bind, on underwriters' behalf, a comprehensive portfolio of business in the agency's office. Business under these contracts, predominately for US based agents, ranges from small to medium sized commercial and industrial risks, homeowner/condominium and mobile home type coverages and selective catastrophe peril facilities.

Property Direct & Facultative
Andrew Stout
We have a worldwide property account and underwrite predominantly in North America, for business ranging from small surplus lines commercial and light industrial risks to larger Fortune 1000 type accounts. Post Katrina, we are still willing, and have the capacity, to write catastrophe exposed business.

Financial Institutions [illegible]
Adrian Fox
We underwrite a broad spectrum account specialising in leading middle market financial institutions and all commercial crime business. This includes comprehensive crime, professional indemnity, directors' and officers' liability, unauthorised trading, and commercial crime. All business is written on a primary or excess of loss basis at Lloyd's and we also have our specialist UK regional business outlet, Praemunio and an Asian delivery channel.

Claims
David Shears
We provide a professional, effective and efficient claims service to our clients and their agents. Our claims handling expertise is used by our underwriters to ensure our future underwriting success.

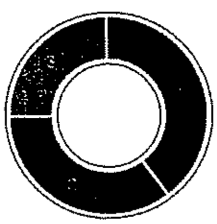
Emilio Di Silvio
Active Underwriter

SYNDICATE 5555 WAS LAUNCHED IN SEPTEMBER 2006 TO BEGIN WRITING BUSINESS INCEPTING 1 OCTOBER 2006.

THE OBJECTIVE OVER TIME IS TO HAVE A BALANCED PORTFOLIO ACROSS ALL CLASSES OF BUSINESS NAMELY GENERAL AVIATION, AIRLINES, PRODUCTS AND AIRPORTS.

THE SYNDICATE'S DESIRE IS TO PROVIDE CLIENTS WITH AN ENTHUSIASTIC PROACTIVE AND SYMPATHETIC SERVICE. IN A LEADING ROLE, IT WILL OFFER SUPPORT TO ALL CLIENTS AND THEIR SELECTED BROKERS IN THE UNDERSTANDING AND APPLICATION OF THE PRODUCTS WE SELL.

2007 PLANNED PRODUCT PORTFOLIO



> 1 General Aviation 40%
> 2 Airlines 35%
> 3 Products and Airports 25%

THE 5555 TEAM LED BY EMILIO DI SILVIO CONSISTS OF HIGHLY EXPERIENCED UNDERWRITERS AND SENIOR MARKET FIGURES WHO ARE HIGHLY REGARDED IN THEIR RESPECTIVE AREAS OF BUSINESS.

WHILST IT IS RECOGNISED THAT PRICE IS A MAJOR INFLUENCING FACTOR IN THE PURCHASE CRITERIA, THE INTENTION OVER TIME IS TO SUPPLANT PRICE AS THE PRIMARY QUALIFIER IN THE CLIENT'S MIND BY PROVIDING THEM WITH TANGIBLE AND COMPETITIVE TERMS IN RELATION TO SERVICE, COVERAGE AND SECURITY.

STRENGTHS OF THE SYNDICATE

> A capacity of £85 million, part of an overall umbrella Syndicate 2999 capacity of £780 million

> Flexibility and strength benefits of umbrella syndicate structure

> An exceptional team of skilled individuals who have a wealth of knowledge and understanding of the aerospace market sectors

> Service excellence is a major differentiator, helping Syndicate 5555 to provide the sort of service competitors have been unable to provide in the past. This is readily apparent in the immediate response and enthusiastic attitude to managing claims

> Provision of innovative solutions that support the industry sector and help develop and maintain relationships with brokers and clients

> Open and clear communication at all levels and between all parties

> 5 Syndicate 5555 £BS million 11%

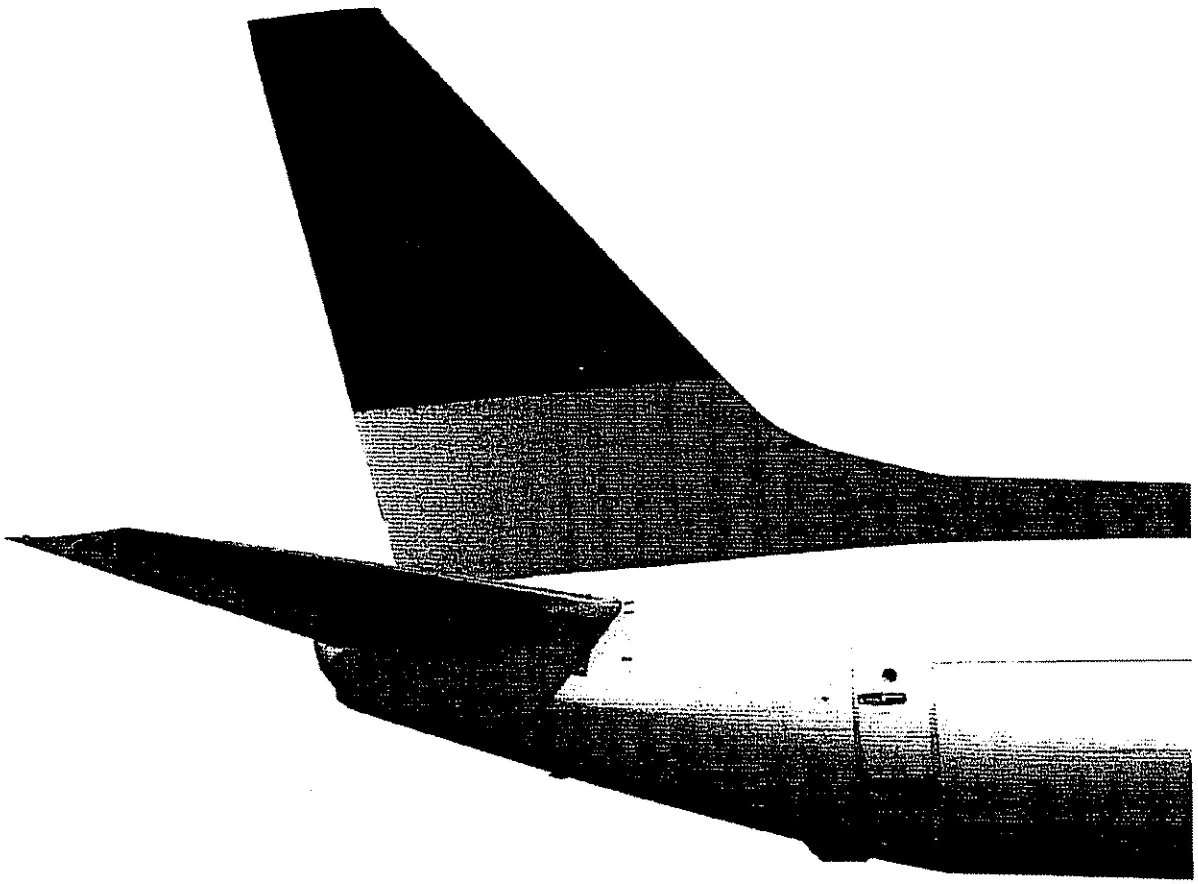
General Aviation 40%
Anthony Prokopiou
The general aviation account provides cover for private and corporate clients, as well as commercial operators with fixed wing and rotor wing aircraft. It is intended that the majority of business written in this sector will be from a leader position. We believe that clients' needs must be managed effectively from the very beginning whether it is a general enquiry or a claim. Taking the lead position will enable Syndicate 5555 to demonstrate delivery of our expertise and experience which underpins our philosophy. This impacts on everything we do, from the efficient and professional delivery of the products to our expert servicing with elegance and style.

Airlines 35%
John Bowman
Our airline business is written on a co-insurance basis within the international subscription market. Line capacity will be offered to all types of airlines from international flag carriers, national and regional operators to charter and cargo airlines and we will write a broad geographic spread. Our initial intention is to provide supporting capacity to brokers and clients in placement of the risks as a co-insurer. However, as and when opportunities arise for us to take the lead underwriter role, we will be happy to consider it. Over time it is our intention to become a recognised leader in the airline sector, enabling us to demonstrate our breadth of knowledge, skills and expertise in the sector.

Products and Airports 25%
Graham Daldry
In the products business, our objective is to be a strong market leader, thereby enabling us to deliver our services in underwriting and claims direct to the brokers and our mutual clients. The book of business will include airframe, engine and component part manufacturers, refuelling operations, airport and airport related servicing risks.

Claims
Jerry Flaxman
Our claims handling philosophy focuses on being prepared and proactive in providing an effective and professional claims handling service to our clients.

We adopt a sympathetic approach to determining any claims issues and are able to deal with the most complex and potentially costly claims fairly and in a timely fashion.



The directors of Limit Underwriting Limited (Limit), the managing agent for Syndicate 2999, present the annual report and audited financial statements for the syndicate for the year ended 31 December 2006.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 3219 of 2004, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 ("the 2004 Regulations").

Principal activity

Syndicate 2999 is an umbrella syndicate with Peter Grove as Active Underwriter. For 2006, it comprises the following five actively trading sub-syndicates:

Sub-syndicate	Active Underwriter	Specialist classes
566	Jonathan Parry	Reinsurance: property; aviation; personal accident; and marine
1036	Colin O'Farrell	Marine insurance: hull; energy; liability; specie; cargo; war; and political
1886	John Neal	Non-marine: general liability; bloodstock; speciality; product protection; and overseas motor
2000	David Woodruff	Non-marine: casualty treaty; property; financial institutions; and UK specialist lines
5555	Emilio Di Silvio	Aviation insurance: airlines; general aviation; and products and airports

Business review and future developments

For the 2006 financial year Syndicate 2999 produced a combined operating ratio of 86.6% and a profit for the financial year of £100.6 million, analysed by sub-syndicate as shown in the table below, which discloses the annually accounted results and key performance indicators.

	566 £000 Note 1	1036 £000 Note 2	1886 £000	2000 £000	5555 £000	Total £000	2005 Total £000
Gross premium written (£000)	250,064	291,195	29,156	202,295	26,067	798,777	619,062
Net earned premiums	157,305	172,259	11,806	138,108	2,147	481,626	418,193
Net claims	(63,208)	(64,726)	(6,199)	(70,074)	(1,308)	(205,515)	(344,915)
Acquisition costs	(34,050)	(55,364)	(3,370)	(43,140)	(376)	(136,300)	(109,803)
Net underwriting profit	60,048	52,169	2,237	24,894	463	139,811	(36,525)
Profit/(loss) on exchange	(9,572)	(5,984)	(443)	(9,176)	(1,055)	(26,230)	9,505
Other net operating expenses	(20,777)	(13,871)	(948)	(12,902)	(336)	(48,834)	(31,842)
Investment return	4,114	8,786	70	22,920	(9)	35,881	28,317
Total profit/(loss) for the financial year	33,813	41,100	916	25,736	(937)	100,628	(30,545)
Claims ratio	40.2%	37.6%	52.5%	50.7%	60.9%	42.7%	82.5%
Combined operating ratio	81.1%	81.2%	92.8%	98.0%	143.2%	86.6%	114.1%

Notes:
1 Excludes 2000 and prior open year of account liabilities, which remain in a separate syndicate.
2 Excludes 2004 year of account for 1036, a separate syndicate which will close into 2999 in 2007.

While the overall syndicate result was pleasing it has been impacted by the loss on exchange of £26.2 million, relating mainly to the US dollar trust funds and therefore the movement experienced during the year of the US dollar. The operating expenses of £48.8 million have increased from prior years and relate to additional profit commission and increased spend on the implementation of new IT systems. Expenses have also increased due to the introduction of two new syndicates, 1886 and 5555.

Syndicate 2999 will continue to provide a flexible and efficient operating structure to enable its sub-syndicates to adapt to prevailing market conditions. The anticipated softening in market conditions will require a continued focus on risk selection, whilst leveraging the cross-selling opportunities available within the QBE Group.

Active Underwriter comments for each sub-syndicate are as follows:

Jonathan Parry – Syndicate 566
"I am pleased to report a profit of £33.8 million for the 2006 financial year, which represents a combined operating ratio of 81.1%. Thankfully 2006 was a benign year for property catastrophes, and a welcome break from the two preceding years. The overall result was partially reduced by a limited deterioration in the 2005 hurricanes, however we are now confident these losses are fully reserved.

"The lack of losses occurring during 2006 was an unusual occurrence and as such our strategy remains unchanged in order to deliver a healthy profit from a more typical loss experience. With this in mind, we continue to position the book away from attritional loss and have again been successful in increasing attachment points, particularly for US catastrophe and retrocession business, during the 1 January 2007 renewal season. This was in addition to securing price increases. The environment for non-US business has proved harder work, but we remain pleased with the overall development of the 2007 portfolio and its profit potential.

"The treaty accounts transferred into the syndicate for the 2006 year, namely: personal accident; marine; and international property, have now been fully integrated within the syndicate and continue to perform well."

Colin O'Farrell – Syndicate 1036
"I am delighted to be able to report for 2006 a significantly improved underwriting result compared to 2005, with our combined operating ratio at 81.2% (2005 102.1%). This considerably enhanced result is partly due to the low incidence of catastrophe claims experienced during 2006, and also the overall premium rate increases the syndicate was experiencing in many areas of the account in the aftermath of 2005. Furthermore, the stability of the prior years has permitted a contributory release of reserves.

"Our 2006 year was dominated by the property catastrophe portfolio as markets hardened considerably. As a consequence the mix of the syndicate's portfolio altered during 2006 as we sought to explore the opportunities this brought. Gulf of Mexico exposed accounts were radically reunderwritten. Terms and conditions were severely restricted and rates dramatically improved, as the harsh realisation of the exposures underwriters actually face began to sink in. Management placed even more scrutiny on the deployment of capital as they sought to replenish their battered balance sheets. Increases of 1000% were not uncommon for loss making accounts.

"It should be noted that in excess of 50% of the syndicate's portfolio is now derived from the energy account. It is pleasing to note that the 2006 hurricane season in the Gulf of Mexico passed without major incident.

"All other areas of the portfolio have contributed to the very positive 2006 result, and it is very pleasing that the investments made in new areas such as political violence are now bearing fruit.

"Twelve months ago, I stated that the 2005 year was the most challenging of my career. By contrast I would say 2006 is the most gratifying. To produce the result we have is due to the tenacity, fortitude and professionalism of all those involved. I am truly grateful to management and employees for their steadfast support.

"The scarcity of available reinsurance capacity in 2006 marginally abated in 2007. It was possible to buy a robust reinsurance programme but again this came at a cost, however, due to the exceptional relationships we have with our reinsurance partners I was very satisfied with the programme we purchased.

"As a consequence of a benign loss pattern for 2006, pressure is mounting in all areas to reduce pricing. This is particularly acute in the energy sector, as clients suggest that 2006 has paid for 2005.

"New capital in both the direct and reinsurance arenas has continued to flow into the marketplace and, although this is to be encouraged, it must be carefully managed. Whilst our 2006 year was one of the best ever recorded, we must also not forget our recent past and recognise the exposures that exist and manage them accordingly.

"Clients and brokers understandably continue to review the products they purchase in the pursuit of value but the long term viability and sustainability of the market comes with a suitable price attached. We must be allowed to make profits. I believe the cyclical nature of our business will never fully subside but capital today is very fluid and mistakes will be harshly dealt with."

John Neal – Syndicate 1886
"The establishment of Syndicate 1886 in 2006 represented the first occasion on which QBE European Operations company underwriters could access Lloyd's paper and licences, therefore broadening our distribution capability and ability to trade. It is therefore pleasing to have secured £29 million of gross written premium in year one and from a standing start. In noting that the current business model is biased towards long-tail liability, a profit for the year of £0.9 million and a combined operating ratio of 92.8% represents a very satisfactory outcome to our first year's trading.

"In 2006, a great deal of energy was expended in marketing the capability for QBE European Operations company underwriters to access Lloyd's paper and this continues into 2007. We therefore expect our underwriting on Lloyd's paper to increase and see a significant growth in gross written premium in year two of the syndicate's development. The liability and motor portfolios that dominated the underwriting in 2006 continue to see good opportunities for expansion and we are already looking at adding new lines of business, both in the US, surplus lines and bloodstock, and trade credit.

"We see Syndicate 1886 as a genuine asset for QBE and a core ability to access business that would otherwise be lost to the European division and the Group as a whole."

David Woodruff – Syndicate 2000
"I was appointed Active Underwriter of Syndicate 2000 following Mark Harrington's resignation in September 2006. I am pleased to report that the syndicate has achieved a profit for the 2006 year of £25.7 million and a combined operating ratio of 98.0%. During the calendar year, the property portfolio, devoid of catastrophe losses, has produced an excellent result; and we continue to take a cautious approach to the reserving of the casualty classes, which account for 73% of the net earned premium. In addition to the pure Syndicate 2000 business, this result includes the run-off of various predecessor syndicates, most notably Syndicate 79. Whilst the expenses incurred running off these portfolios are contained within the combined operating ratio, the investment income on the applicable reserves is not. Reserves established for the run-off syndicates have proved resilient, some £4.8 million in total being released at 31 December 2006.

"The syndicate's original 2007 business plan remains materially unchanged with the exception of the UK insurance portfolio which will now be transferred to QBE Insurance (Europe) Limited for the 2007 account.

"All the portfolios underwritten by Syndicate 2000, namely: international casualty treaty; North American casualty treaty; worldwide property insurance; and financial institutions, continue to develop strategies to embrace anticipated market conditions. On the reinsurance accounts, this will manifest itself in greater diversification and movement away from the more hazardous and accumulative areas of the business, as rates decline. On the insurance side, whilst there may be some opportunity for modest growth, the main emphasis is on developing structures, products and distribution strategies which will allow us to expand when the rating environment improves."

Emilio Di Silvio – Syndicate 5555
"Syndicate 5555 commenced underwriting with effect from 1 October 2006, in order to write a broad spread of airline, aviation and airports and products business. Due to the predominance of airline business which incepts during the final quarter of the year, gross written premium income for the 2006 financial year was skewed towards that account.

"As detailed in the earlier table, the 2006 financial year has produced a small underwriting profit, which is in line with expectation. The overall result is a loss, largely due to an exchange loss arising from the US dollar weakening against sterling.

"The fantastic support we experienced in the initial months of last year, both from brokers and clients, has enabled us to lay some strong foundations which we believe we can build on in 2007 and the long term as we seek to achieve our plan and deliver the planned results.

"The market conditions continue to be relatively stable in the general aviation, airport and products areas albeit some pressure is beginning to manifest itself in these classes due to past good results. The airline account has seen reductions during the last quarter of 2006 which is mainly due to a lack of major losses in the most recent years. Our expectation is that the level of these reductions will reduce as the year progresses. It is worth mentioning however, that if there were to be a major loss involving liabilities of two or three sizeable hull losses, given this market is extremely reactive, we would anticipate the rates to increase very quickly.

"The advantage of developing a balanced portfolio is that it will allow us to reduce or increase a certain class should the pressure to offer reductions on any one area increase. Our expectation is that as the year develops, we will further balance the more volatile business areas, airlines and products, with the less volatile general aviation class.

"We strongly believe that service excellence is a major differentiator for us and our strategy will continue to revolve around promising the level and delivery of service our competitors have been unable to provide in the past.

"This is readily apparent in the immediate response and enthusiastic attitude we have seen from clients as we attempt to offer additional products, above and beyond the conventional aviation coverage, working closely with colleagues from other departments in offering complementary products such as employers liability, personal accident, D&O, motor etc."

Investment performance

The total investment returns achieved for calendar year 2006 are set out below. These include income earned on funds which are not managed by the investment manager, such as short term liquid deposits and certain overseas deposits. The combined total currency return for the year was 4.5%.

Portfolio currency	2006 Average funds £000	2006 Actual return %	2006 Benchmark return %	2005 Average funds £000	2005 Actual return %	2005 Benchmark return %
Canadian dollar	78,286	3.8	3.8	37,388	2.3	1.9
Euro	30,249	2.6	1.8	23,376	2.1	2.1
Sterling	156,727	4.3	3.0	254,475	5.0	5.0
US dollar	1,188,733	4.6	4.0	996,613	2.8	1.7

The benchmark for fixed income funds during 2006 was the Merrill Lynch 1–3 Year Government Bond Index in the relevant currency.

Investment returns achieved in the majority of portfolios outperformed the respective currency benchmarks during the year. Outperformance was generated as a result of active management using a low risk investment strategy with capital preservation a high priority.

Throughout 2006, and in the face of rising global interest rates, fund manager Minster Court Asset Management maintained a short duration position in all portfolios. This strategy proved to be successful and a significant outperformance versus both the weighted currency benchmark and overall syndicate budgeted target was achieved.

After taking account of investment return, profit payments and an adverse exchange rate movement, overall syndicate funds closed the year approximately in line with budgeted target.

Investment policy

QBE European Operations operates an investment committee which is responsible for recommending to the Limit board appropriate investment policy and strategy. It also monitors the performance of investment managers and their compliance with internal guidelines and external regulation. The investment policy is designed to ensure that appropriate levels of liquidity, credit and investment risk are achieved.

Syndicate investments are currently limited to fixed income bonds and money market instruments. The majority of portfolios have an equivalent average credit rating better than Standard & Poor's "AA". The minimum permitted credit quality is "A-". The performance of the investment managers is monitored against the Merrill Lynch 1–3 Year Government Bond Index.

Management of the investment portfolios for the Syndicate is delegated under an arm's length agreement to Minster Court Asset Management Ltd, a wholly owned subsidiary of the QBE Group. The activities of the manager are regulated by the FSA.

Corporate governance

Limit agency board

The Limit board is committed to high standards of corporate governance and has established a practical governance framework which includes the delegation of considerable authority to five syndicate boards and a number of other authorised committees. All of the syndicate boards and committees comprise appropriately skilled and experienced members, and operate under formal terms of reference. The board comprises 16 executive directors and three non-executive directors and meets seven times a year.

Syndicate boards

Each syndicate has its own board, responsible for the reporting and review of all aspects of the syndicate's day to day management. Each board is chaired by the respective syndicate's Active Underwriter and comprises senior underwriting and management representatives of the syndicate, together with representatives of the Limit board.

Other committees

> Limit management committee: the committee ensures that the day to day management of Limit is carried out in accordance with the requirements of the Limit board and co-ordinated across various business units and syndicates. It considers QBE issues, management issues and major syndicate issues. The committee is chaired by the Managing Director

> General business committee: the committee reviews and approves all routine matters which do not require board approval; reviews and approves matters where the board has delegated authority to the committee; and makes recommendations as such where board approval is required. The committee is chaired by the Compliance and Risk Management Director

> Internal audit committee: the committee provides assurance that an appropriate control framework is in place to mitigate business risk and that these controls are both functioning in practice and consistent with QBE Group and Limit procedures together with legislative and regulatory requirements. The committee also reviews all cases of reported fraud. The committee is chaired by a non-executive director

- Group security committee: the committee is responsible for establishing and monitoring procedures and systems for the evaluation of all reinsurance security and outwards reinsurance intermediaries to be utilised by regulated entities within the Group. The committee is chaired by the Chief Underwriting Officer

- Reserving committee: the primary responsibility of the committee is to undertake a review for the reinsurance to close and open year reserve information produced by each managed syndicate in support of the syndicate's accounts and solvency returns. It also ensures that the level of total closed and open year reserves have been calculated, where appropriate having regard to Lloyd's Code for Management for Reserving Risks, Regulations and Byelaws, and are consistent with the standards required to attain satisfactory audit and actuarial opinions. The committee is chaired by the Chief Actuarial Officer

- Information technology committee: the committee is responsible for reviewing and recommending the IT strategy to the board, recommending the annual IT plan and budget, implementing strategy and providing oversight of material IT projects. The committee is chaired by the IT Director

- Investment committee: the committee is responsible for making recommendations to the board as to the appropriate investment policy and guidelines for each of the syndicate's funds. It takes responsibility for the day to day implementation and monitoring of the agreed strategy. The committee is chaired by the Chief Financial Officer

- Individual capital assessment committee: the committee is responsible for providing guidance and review on capital assessment issues in relation to the FSA and Lloyd's regimes. The committee is chaired by the Chief Actuarial Officer

- Risk management committee: the committee is responsible for ensuring that all risks to Limit's objectives are identified, assessed and monitored in accordance with Limit's overall risk policy. The committee is chaired by the Compliance and Risk Management Director

Risk management
Limit's activities expose the business to a number of key risks which have the potential to affect Limit's ability to achieve its business objectives. The board is responsible for ensuring that an appropriate structure for managing these risks is maintained. The board acknowledges that it is not realistic or possible to eliminate risk entirely, and therefore seeks to ensure that the appropriate controls are in place to effectively manage risks in line with the agreed tolerance.

Limit continues to develop its risk management capability to ensure that an effective framework exists to support the management of all types of risk. Elements of this framework include the regular identification and assessment of the key risk and controls and clearly defined ownership of both the risks and controls.

Risk groups
The key risks can be grouped under the following headings:

- Insurance risk: Limit's business is to accept insurance risk which is appropriate to enable Limit to meet its objectives. Limit seeks to balance insurance risk with reward and therefore all underwriting teams are set specific and measurable targets, which they are expected to achieve by operating within the parameters of the approved business plan and authorities framework

- Credit risk: in addition to the insurance terms of trade offered as standard, credit risks can arise as a result of the inability to pay or slow payment of any of Limit's counterparties. Limit has established detailed guidelines, procedures, limits and monitoring requirements to mitigate credit risk

- Capital and liquidity risk: capital and liquidity risk is the potential that the syndicate is unable to meet its obligations as they fall due or its capital falls below that required by regulators. The objective of Limit's capital and liquidity risk management is to ensure that capital is optimally managed, that Limit remains solvent by a significant margin and that all withdrawals and funding requirements can be met out of readily available sources of funding. Limit undertakes capital exercises to ensure that capital is adequate to meet risks and seeks to maintain a strong liquidity position by holding its assets in liquid funds

- Market risk: Limit's exposure to financial market risk arises out of the investment decisions made in relation to Limit's investment of Premium Trust Fund assets. Exposure to market risk is managed through the investment strategy and detailed guidelines, which are deliberately conservative in order to eliminate potential volatility to market fluctuations as much as possible

- Operational risk: Limit seeks to mitigate exposure to operational risks through ensuring that an effective infrastructure, robust systems and controls and appropriately experienced and qualified individuals are in place throughout the organisation

- Cash flow risk: the syndicate's exposure to cash flow risk is addressed under the heading of capital and liquidity risk

Internal audit

An independent internal audit function provides assurance to the internal audit committee, chaired by a non-executive director as to the effectiveness of internal systems and controls. It makes recommendations for improvement and monitors progress towards completion via management action plans. Internal audit also provides independent feedback on the risk management process.

Other governance issues

Limit has adopted a code of conduct which outlines a set of general business ethics that apply to all employees when conducting any activity on behalf of the syndicate. The code of conduct requires employees to carry on business in an open and honest manner with customers, shareholders, employees, regulatory bodies, outside suppliers, intermediaries and the community at large. The code also deals with a number of other requirements including whistle-blowing, confidentiality, disclosure of information and conflicts of interest. Other policies are in place to cover areas such as health and safety, harrassment, equal opportunities and financial crime.

Directors

Details of the directors of the managing agent that served during the year are shown on page 21.

Creditor payment policy

The managing agent's policy on the payment of creditors is to abide by London insurance market practices, including those of Lloyd's and the International Underwriting Association. The managing agent agrees terms with its other suppliers when it enters into binding purchase contracts, the managing agent seeks to abide by the payment terms agreed with these suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Statement of managing agent's responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 require the managing agent to prepare syndicate annual accounts at 31 December each year which give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the managing agent is required to:

> Select suitable accounting policies which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year

> Make judgements and estimates that are reasonable and prudent

> State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

> Prepare the financial statements on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so

The directors confirm that they have complied with the above requirements in preparing the annual accounts for Syndicate 2999.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the 2004 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the persons who is a director of the managing agent at the date of this report confirms that:

> So far as each of the directors is aware, there is no information relevant to the audit of the syndicate's financial statements for the year ended 31 December 2006 of which the auditors are unaware

> The director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

Auditors

The directors of the managing agent intend to reappoint PricewaterhouseCoopers LLP as the syndicate's auditors.

By order of the board:

D.J. Winkett

D J Winkett
Limit Underwriting Limited
Plantation Place
30 Fenchurch Street
London EC3M 3BD

20 March 2007

MANAGING AGENCY – CORPORATE INFORMATION

Directors
The directors of Limit Underwriting Limited, the managing agent, who served during the year ended 31 December 2006 were:

J M G Andrews *	(resigned 8 March 2006)
I D Beckerson	
S P Burns	
D A Constable	
P A Dodridge	(appointed 21 November 2006)
P E Grove	
M J Harrington	(resigned 1 September 2006)
M S Kang	
D M Lang	
V McLenaghan	(appointed 21 November 2006)
J D Neal	
B M Nicholls	(resigned 21 November 2006)
C R O'Farrell	
F M O'Halloran	
P V Olsen *	
J W Parry	
B W Pomeroy *	(appointed 23 January 2006)
H M Posner *	(appointed 8 March 2006)
C Rolleston	(appointed 23 January 2006)
E A Di Silvio	(appointed 21 November 2006)
B R Smith *	(resigned 8 March 2006)
D J Winkett	
D Woodruff	(appointed 18 October 2006)

* non-executive directors

Directors' interests
None of the directors were members of the syndicate for the years of account open during the period of these accounts.

Company secretary

A C H Williams	(appointed 8 December 2006)
H G Pallot	(resigned 8 December 2006)

Registered office
Plantation Place
30 Fenchurch Street
London EC3M 3BD

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SYNDICATE 2999

We have audited the syndicate annual accounts of Syndicate 2999 for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of cash flows and the related notes. These accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The managing agent's responsibilities for preparing the syndicate annual accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of managing agent's responsibilities.

Our responsibility is to audit the syndicate annual accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the syndicate's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the syndicate annual accounts give a true and fair view and are properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. We also report to you whether, in our opinion, information given in the report of the directors of the managing agent is consistent with the syndicate annual accounts. We also report to you whether, in our opinion, the managing agent has not kept proper accounting records in respect of the syndicate, if the syndicate annual accounts are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding remuneration of the directors of the managing agent and the active underwriter and other transactions is not disclosed.

We read the report of the directors of the managing agent and the other information on pages 1 to 13, 21 and page 36 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the syndicate annual accounts. It also includes an assessment of the significant estimates and judgements made by the managing agent in the preparation of the syndicate annual accounts, and of whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the syndicate annual accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the syndicate annual accounts.

Opinion

In our opinion:

> The syndicate annual accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the syndicate's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended

> The syndicate annual accounts have been properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004

> The information given in the report of the directors of the managing agent is consistent with the syndicate annual accounts

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

20 March 2007

Note:
The maintenance and integrity of the QBE website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2006

		2006		2005	
	Notes	£000	£000	£000	£000
Earned premiums, net of reinsurance					
Gross premiums written	2	798,777		619,062	
Outward reinsurance premiums		(230,143)		(188,597)	
Net premiums written			568,634		430,465
Change in the gross provision for unearned premiums		(98,646)		(12,724)	
Change in the provision for unearned premiums, reinsurers' share		11,638		452	
			(87,008)		(12,272)
Earned premiums, net of reinsurance			481,626		418,193
Allocated investment return transferred from the non-technical account			35,881		28,317
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(568,260)		(373,246)	
Reinsurers' share		379,130		141,749	
		(189,130)		(231,497)	
Change in the provision for claims					
Gross amount		234,132		(514,865)	
Reinsurers' share		(250,517)		401,447	
		(16,385)		(113,418)	
Claims incurred, net of reinsurance	3		(205,515)		(344,915)
Net operating expenses	4		(211,364)		(132,140)
Balance on technical account – general business			100,628		(30,545)

The results above are all derived from continuing operations.

The notes on pages 28 to 35 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £000	2005 £000
Balance on technical account – general business		100,628	(30,545)
Investment income	7	34,206	28,865
Unrealised gains on investments		2,606	285
Investment expenses and charges	7	(931)	(833)
Investment return		35,881	28,317
Allocated investment return – transferred to general business account		(35,881)	(28,317)
Profit/(loss) on ordinary activities after taxation, retained for the financial year		100,628	(30,545)

The results above are all derived from continuing operations

There are no recognised gains or losses for the current and preceding year other than those included in the profit and loss account above and therefore no statement of recognised gains and losses has been presented.

The notes on pages 28 to 35 form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER

Assets	Notes	2006 £000	2005 £000
Investments			
Financial investments	8	821,298	801,191
Reinsurers' share of technical provisions			
Provision for unearned premiums		32,535	20,897
Claims outstanding		551,036	884,362
		583,571	905,259
Debtors			
Debtors arising out of direct insurance operations	9	270,314	235,286
Debtors arising out of reinsurance operations		227,026	286,608
Other debtors		2,924	543
		500,264	522,437
Other assets			
Cash at bank and in hand		7,575	13,075
Overseas deposits	10	53,975	56,641
		61,550	69,716
Prepayments and accrued income			
Accrued interest		15,109	10,413
Deferred acquisition costs		61,413	48,901
		76,522	59,314
Total assets		2,043,205	2,357,917

The notes on pages 28 to 35 form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER

Liabilities	Notes	2006 £000	2005 £000
Capital and reserves			
Member's balance	11	49,949	185
Technical provisions			
Provision for unearned premiums		298,372	199,726
Claims outstanding		1,462,675	1,866,952
		1,761,047	2,066,678
Creditors	12		
Creditors arising out of direct insurance operations		94,426	100,788
Creditors arising out of reinsurance operations		109,805	172,111
Other creditors including taxation and social security		27,947	18,146
		232,178	291,045
Accruals and deferred income		31	9
Total liabilities		2,043,205	2,357,917

These financial statements on pages 23 to 35 were approved by the board of Limit Underwriting Limited on 20 March 2007 and signed on its behalf by:

S.P. Burns

S P Burns
Director

20 March 2007

The notes on pages 28 to 35 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2006 £000	2005 £000
Net cash inflow from operating activities		141,421	67,769
Transfer to members in respect of underwriting participations			
Distribution of profits		(42,999)	(7,931)
Continuous solvency transfers		(7,928)	(24,266)
Financing			
Cash calls received		63	184
Net cash inflow		90,557	35,756
Cash flows were (applied)/invested as follows:			
Decrease in cash holdings	13	(4,840)	(14,402)
Increase in overseas deposits	13	1,909	8,142
Net portfolio investment	13, 14	93,488	42,016
Net investment of cashflows		90,557	35,756

	Notes	2006 £000	2005 £000
Reconciliation of operating profit/(loss) to net cash flow from operating activities			
Profit/(loss) for the financial year		100,628	(30,545)
Unrealised investment losses/(gains)	13	78,616	(55,380)
Increase in net technical provisions		16,057	240,281
Decrease/(increase) in debtors		4,965	(270,135)
(Decrease)/increase in creditors		(58,845)	183,548
Net cash inflow from operating activities		141,421	67,769

The notes on pages 28 to 35 form an integral part of these financial statements.

1 ACCOUNTING POLICIES

a) Basis of preparation
These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004, and applicable accounting standards and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 as applicable.

The directors of the managing agent have prepared the financial statements on the basis that the syndicate will continue to write future business.

The ability of the syndicate to meet its obligations as they fall due is underpinned by the support provided by Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Members' funds at Lloyd's are further explained in note 16.

b) Insurance
The result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned portion of premiums, net of reinsurance, as described below.

i) Premiums written
Premiums written comprise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior years. Premiums are shown gross of commissions payable to intermediaries and exclude taxes and duties levied on them. Estimates are included for premiums due but not yet received or notified, less an allowance for cancellations.

ii) Unearned premiums
Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date calculated on the basis of established earnings patterns having regard to the incidence of risk.

iii) Reinsurance premium ceded
Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

iv) Claims provisions and related recoveries
Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and allows for the expected value of salvage and other recoveries.

Outstanding claims and reinsurance recoveries are estimated by reviewing individual claims and making allowance for claims incurred but not reported using past experience and trends adjusted for foreseeable events.

Case estimates are set by experienced claims technicians, applying their skill and specialist knowledge to the circumstances of individual claims. The ultimate cost of outstanding claims, including claims incurred but not reported, is estimated by the syndicate actuaries who apply recognised actuarial techniques considered appropriate for each portfolio, such as the Chain Ladder and Bornhuetter-Ferguson methods. These methods take into account, amongst other things, statistical analysis of the development of the value and frequency of past claims and the results of analyses undertaken at the point of underwriting. Techniques considered appropriate for specific portfolios include contract by contract analysis, segmentation by subclass, and stochastic analysis. Classes of business are analysed at a level of detail appropriate to their materiality. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or decrease when compared with the cost of previously settled claims, for example, one-off occurrences and changes in mix of business, policy conditions or the legal environment.

The syndicate actuaries produce an estimate of reserves, which is reviewed by an independent actuarial firm, and is then assessed by QBE management with input from the syndicate underwriting and claims experts.

As provisions for claims outstanding are based on information which is currently available, the eventual outcome may vary from the original assessment depending on the nature of information received or developments in future periods. For certain classes of business including liability and other long-tail classes written by the syndicate, claims may not be apparent for many years after the event giving rise to the claim has happened. These classes will typically display greater variation between initial estimates and final outcomes. Differences between the estimated cost and subsequent re-estimation or settlement of claims are reflected in the technical account for the year in which these claims are re-estimated or settled.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

1 ACCOUNTING POLICIES CONTINUED

v) Unexpired risks provision
Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risks surpluses and deficits are offset where business classes are managed together.

vi) Acquisition costs
Acquisition costs, which represent commission and other costs related to the acquisition of new insurance contracts, are deferred subject to recoverability and amortised over the period to which the related premiums are earned.

c) Foreign currency transactions
Transactions denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the time of the transaction.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date with the exception of non-monetary assets and liabilities which are maintained at historic rates.

Exchange differences are included in the technical account, except for differences arising on members' balances, which are included in members' balances.

d) Investments
Investments are stated at market value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost.

e) Investment return
Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between net sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price, or if they have previously been valued, their valuation at the previous balance sheet date, together with a reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments related to the technical account.

f) Taxation
Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading "members' balance".

No provision has been made for any overseas tax payable by members on underwriting results.

g) Administrative expenses
Administrative expenses are taken into account on an accruals basis. These recharged expenses include the costs of staff, who are employed by QBE Management (UK) Limited. QBE Management (UK) Limited operates both defined benefit and defined contribution pension schemes, the expense of which is included in the recharges.

h) Profit commission
Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Profit commission is recognised on the basis of the annual accounting result for each year of account. It is charged to the syndicate as incurred.

FORMING PART OF THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES CONTINUED

i) Reclassification of comparative balance sheet
Following a review of balance sheet presentation, the classification of certain items has been changed in the comparative balance sheet. This only affects the presentation within balance sheet categories and has no effect on either the profit and loss or the net assets of the syndicate for either this period or the comparative period.

i) £129,936,000 has been reclassified from debtors arising out of direct insurance operations to debtors arising out of reinsurance operations. £129,061,000 has been transferred out of creditors arising out of direct insurance operations and has now been classified within creditors arising out of reinsurance operations. We now classify debtors and creditors arising out of reinsurance operations to include balances arising from both reinsurance accepted and ceded.

ii) £67,379,000 has been reclassified out of cash, of which £17,687,000 has been classified as participation in investment pools and £49,692,000 classified as shares and other variable yield securities. This relates to the treatment of cash managed at Lloyd's and invested on behalf of the syndicate. Whilst the amounts remain readily available in cash to the syndicate, we consider it to be more appropriate presentation to show these items within financial investments to reflect that the cash is invested in pooled arrangements.

2 SEGMENTAL INFORMATION

2006	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance						
Accident and health	894	596	(921)	(219)	291	(253)
Motor (third party liability)	5,576	2,746	(884)	(1,136)	(14)	712
Motor (other classes)	6,709	4,129	(3,049)	(1,513)	(94)	(527)
Marine, aviation and transport	93,455	78,401	(19,771)	(27,081)	(19,753)	11,796
Fire and other damage to property	93,731	83,231	(35,756)	(26,159)	(9,411)	11,905
Third party liability	128,152	97,110	(52,510)	(39,844)	(13,362)	(8,606)
Credit and suretyship	7,503	5,166	27	(1,833)	927	4,287
Miscellaneous	429	247	(249)	(164)	(9)	(175)
	336,449	271,626	(113,113)	(97,949)	(41,425)	19,139
Reinsurance acceptances	462,328	428,505	(221,015)	(115,922)	(45,960)	45,608
Total	798,777	700,131	(334,128)	(213,871)	(87,385)	64,747

2005	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance						
Accident and health	130	108	(76)	(31)	(1,234)	(1,233)
Motor (third party liability)	499	390	(1,051)	(60)	547	(174)
Motor (other classes)	9,214	8,969	(5,760)	(1,031)	280	2,458
Marine, aviation and transport	131,546	101,671	(255,775)	(28,557)	161,715	(20,946)
Fire and other damage to property	100,364	92,484	(91,423)	(16,632)	20,027	4,456
Third party liability	112,829	128,966	(109,141)	(34,915)	(160)	(15,250)
Credit and suretyship	6,960	6,763	(3,369)	(2,185)	(1,223)	(14)
Miscellaneous	434	537	(152)	1,843	186	2,414
	361,976	339,888	(466,747)	(81,568)	180,138	(28,289)
Reinsurance acceptances	257,086	266,450	(421,364)	(50,572)	174,913	(30,573)
Total	619,062	606,338	(888,111)	(132,140)	355,051	(58,862)

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2006 £000	2005 £000
UK	84,671	52,264
Other EU countries	60,445	49,462
US	187,514	402,627
Other countries	466,147	114,709
	798,777	619,062

3 CLAIMS OUTSTANDING

As at 31 December 2006 gross claims outstanding in respect of the 2005 hurricane losses (Katrina, Rita and Wilma) are £284.0 million (2005 £480.9 million). These estimates, as with all claims, are subject to uncertainties, the outcome of which could have a positive or negative impact on the future results of the syndicate.

Overall there is a positive development of £17,256,000, of which major contributors are third party liability of £17,112,000 and marine, aviation and transport of £16,017,000 offset by an adverse development in reinsurance acceptances of £17,535,000.

During 2005 a negative net run off development of £16,900,000 was experienced in respect of US casualty and other UK liability accounts, in relation to D&O and E&O losses and pensions misselling claims respectively. In addition the syndicate suffered deterioration of £4,800,000 arising on its energy account.

4 NET OPERATING EXPENSES

	2006 £000	2005 £000
Acquisition costs – direct commission	120,960	103,109
Acquisition costs – other	30,360	19,254
Change in deferred acquisition costs	(12,512)	(11,681)
Administrative expenses	48,834	31,843
Reinsurance commission revenue	(2,508)	(879)
Loss/(profit) on exchange	26,230	(9,506)
	211,364	132,140

Auditors' remuneration:		
Fees payable to the syndicate's auditor for the audit of the syndicate's annual accounts	329	318
Other services pursuant to legislation	201	168

Members' standard personal expenses are included within net operating expenses.

5 STAFF NUMBERS AND COSTS

All staff are employed by QBE Management (UK) Limited, a wholly owned subsidiary of QBE Insurance Group Limited. The following amounts were charged to the syndicate in respect of salary costs:

	2006 £000	2005 £000
Wages and salaries	19,062	14,304
Social security costs	2,262	1,611
Other pension costs	2,546	10,965
	23,870	26,880

The average number of staff represented by the above recharge to the syndicate for the year was:

	2006 Number	2005 Number
Underwriting	119	108
Claims	29	28
Administration	110	93
	258	229

FORMING PART OF THE FINANCIAL STATEMENTS

6 DIRECTORS' EMOLUMENTS

The directors of Limit Underwriting Limited and the Active Underwriter received the following aggregate remuneration charged to the syndicate and included within net operating expenses.

	2006 £000	2005 £000
Directors of the managing agent	1,675	1,604
Active Underwriter	246	409

Further information in respect of the emoluments of the directors of Limit Underwriting Limited is provided in that company's financial statements for the period.

7 INVESTMENT INCOME, EXPENSES AND CHARGES

Investment income	2006 £000	2005 £000
Income from investments	35,489	30,327
Losses on the realisation of investments	(1,283)	(1,462)
	34,206	28,865

Investment expenses and charges	2006 £000	2005 £000
Investment management expenses, including interest	931	833

8 FINANCIAL INVESTMENTS

	Cost		Market value	
	2006 £000	2005 £000	2006 £000	2005 £000
Shares and other variable yield securities and units in unit trusts	54,781	123,379	54,782	123,379
Debt securities and other fixed income securities	724,782	641,208	725,653	639,263
Participation in investment pools	21,532	17,686	21,532	17,686
Other loans	8,497	4,623	8,497	4,623
Deposits with credit institutions	10,834	16,240	10,834	16,240
	820,426	803,136	821,298	801,191

Shares and other variable yield securities, units in unit trusts, and debt securities and other fixed income securities are all listed on recognised stock exchanges.

Other loans comprise loans to Lloyd's central fund.

9 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2006 £000	2005 £000
Due within one year		
Due from policyholders	7,410	7,172
Due from intermediaries	262,713	228,033
Due after one year		
Due from intermediaries	191	81
	270,314	235,286

10 OVERSEAS DEPOSITS

These assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

11 RECONCILIATION OF MEMBERS' BALANCE

	2006 £000	2005 £000
At 1 January	185	64,298
Profit/(loss) for the financial year	100,628	(30,545)
Payment out of profit to members personal reserve funds	(50,864)	(33,568)
At 31 December	49,949	185

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

12 CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2006 £000	2005 £000
Due within one year		
Due to policyholders	9,210	8,236
Due to intermediaries	85,216	92,552
	94,426	100,788

13 MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

	2006 £000	2005 £000
Decrease in cash holdings	(4,840)	(14,402)
Increase in overseas deposits	1,909	8,142
Cash outflow from portfolio investments	93,488	42,016
Movement arising from cash flows	90,557	35,756
Changes in market value and exchange rates	(78,616)	55,380
Total movement in portfolio investments, net of financing	11,941	91,136
At 1 January, net of financing	870,907	779,771
At 31 December, net of financing	882,848	870,907

Movement in cash, portfolio investments and financing	At 1 January 2006 £000	Cash flow £000	Changes to market value and currencies £000	At 31 December 2006 £000
Cash at bank and in hand	13,075	(4,840)	(660)	7,575
Overseas deposits	56,641	1,909	(4,575)	53,975
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	123,379	(56,862)	(11,735)	54,782
Debt securities and other fixed income securities	639,263	143,374	(56,984)	725,653
Investment pools	17,686	6,025	(2,179)	21,532
Other loans	4,623	4,436	(562)	8,497
Deposits with credit institutions	16,240	(3,485)	(1,921)	10,834
Total portfolio investments	801,191	93,488	(73,381)	821,298
Total cash, portfolio investments and financing	870,907	90,557	(78,616)	882,848

FORMING PART OF THE FINANCIAL STATEMENTS

14 CASH FLOWS INVESTED IN PORTFOLIO INVESTMENTS

	2006 £000	2005 £000
Purchase of shares and other variable yield securities	(130,273)	(332,033)
Purchase of debt securities and other fixed income securities	(2,083,241)	(1,191,152)
Purchase of participation in investment pools	(24,263)	(17,686)
Purchase of loans with credit institutions	(4,436)	(3,139)
Sale of participation in investment pools	18,238	–
Sale of shares and other variable yield securities	187,135	406,849
Sale of debt securities and other fixed income securities	1,939,867	1,096,628
Sale of deposits with credit institutions	3,485	–
Net cash outflow on portfolio investments	(93,488)	(40,533)

15 RELATED PARTIES

The managing agent of the syndicate, Limit Underwriting Limited, and certain corporate members that provide capital to the syndicate, are wholly owned subsidiaries of their ultimate parent company, QBE Insurance Group Limited.

All transactions between the syndicate and companies within the QBE Insurance Group are conducted on normal market terms on an arm's length basis.

Directors' interests
F M O'Halloran, I D Beckerson, S P Burns, P A Dodridge, P E Grove, M S Kang, D M Lang, V McLenaghan, J D Neal, B M Nicholls, C Rolleston, D J Winkett and D Woodruff all hold executive directorships of other companies within the QBE European Operations Division. In addition, P V Olsen, B W Pomeroy H M Posner are non executive directors of related companies within the QBE European Operations Division.

Inter syndicate transactions
In certain instances the syndicate has underwritten reinsurances of other managed syndicates. The premiums paid are not material either in the context of those syndicates' overall reinsurance costs nor are they a material part of this syndicate's income. All contracts are written on normal market terms at arm's length.

Inwards reinsurance contracts with related QBE companies
The syndicate has written inwards reinsurance business with companies within the QBE Insurance Group during the year. Inwards premiums totalling £4,103,000 (QBE Insurance (Malaysia) Berhad: £1,095,000; QBE Hong Kong & Shanghai Insurance Limited: £1,247,000; QBE Insurance (International) Limited: £1,292,000; others: £469,000) (2005 £3,937,000), were written for the 2006 account. All such contracts are written on normal market terms on an arm's length basis. At year end premium balances relating to contracts with these reinsurers amounted to £nil (2005 £nil).

Claims incurred on contracts with these reinsurers totalled £1,752,000 (QBE Insurance (Malaysia) Berhad: £468,000; QBE Hong Kong & Shanghai Insurance Limited: £532,000; QBE Insurance (International) Limited: £552,000; others: £200,000) (2005 £1,681,000). At year end claims balances relating to these reinsurers amounted to £5,909,000.

Outward reinsurance contracts with related QBE companies
The syndicate has purchased reinsurance with companies within the QBE Insurance Group during the year. Outward premiums totalling £26,628,000 (£25,755,000 with Equator Reinsurances Limited, £682,000 QBE Insurance (Europe) Limited and £191,000 with QBE Insurance (Australia) Limited) (2005 £11,942,000) were written for the 2006 account. All such contracts are written on normal market terms on an arm's length basis. At year end premium balances relating to contracts with these reinsurers amounted to £nil (2005 £nil).

Material claims incurred on contracts with these reinsurers totalled £38,823,000 (2005 £11,667,000). At year end claims balances relating to these reinsurers amounted to £185,000 (2005 £nil).

Profit commission
Profit commission is payable to the managing agent as per note 1(h). During the year £27,117,000 was charged (2005 £3,785,000). At the year end £26,974,000 (2005 £3,785,000) was outstanding. This is shown as part of other creditors.

15 RELATED PARTIES CONTINUED

Managing agent's fees
Total fees payable to Limit Underwriting Limited in respect of services provided to the syndicate in the year amounted to £4,290,000 (2005 £3,575,000). No balance is outstanding at the year end.

Administrative expenses
Total expenses recharged from Limit Underwriting Limited and QBE Management (UK) Limited in respect of services provided to the syndicate in the year amounted to £40,553,000 (2005 £44,902,000). The balance remaining at year end is receivable of £1,732,000 (2005 payable of £14,078,000).

There are no other transactions or arrangements to be disclosed.

16 FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FSA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

17 REINSURANCE TO CLOSE ACCEPTED

In additional to its 2004 account, the syndicate is accepting the reinsurance to close of three other syndicates, Syndicate 456, Syndicate 980 and Syndicate 1036 in 2007. These transactions will be reflected when finalised in the 2007 syndicate accounts.

Syndicate 456 ceased writing in 2001 and had three years of account open, 1999, 2000 and 2001. It wrote mainly following lines on US and UK liability classes. Sub-syndicate 2000 is accepting the reinsurance to close of all these years totalling £48.9 million which includes a risk premium of £3.5 million.

Syndicate 980 ceased writing at the end of 2004 when its business was transferred from the Lloyds market. The reinsurance to close of £91.9 million does not include a risk premium.

Syndicate 1036 ceased writing as a separate syndicate at the end of 2004 when it became a sub-syndicate of Syndicate 2999. The 2005 account of Sub-Syndicate 1036 is accepting the reinsurance to close of £38.4 million which does not include a risk premium.

SYNDICATE 566

Active Underwriter
Jonathan Parry
jonathan.parry@limit.co.uk
tel +44 (0)20 7105 4077

Syndicate Manager
Steve Edwards
steve.edwards@limit.co.uk
tel +44 (0)20 7105 4686

Claims Manager
Richard Frake
richard.frake@limit.co.uk
tel +44 (0)20 7105 4694

SYNDICATE 1036

Active Underwriter
Colin O'Farrell
colin.o'farrell@limit.co.uk
tel +44 (0)20 7105 4073

Syndicate Manager
David Herridge
david.herridge@limit.co.uk
tel +44 (0)20 7105 4753

Claims Director
Gary Crowley
gary.crowley@limit.co.uk
tel +44 (0)20 7105 4792

SYNDICATE 1886

Active Underwriter
John Neal
jneal@qbe-europe.com
tel +44 (0)20 7105 4054

Syndicate Manager
Roger French
rfrench@qbe-europe.com
tel +44 (0)20 7105 4401

Claims Director
Andrew McBride
amcbride@qbe-europe.com
tel +44 (0)20 7105 4050

SYNDICATE 2000

Active Underwriter
David Woodruff
david.woodruff@limit.co.uk
tel +44 (0)20 7105 4638

Syndicate Manager
Keith Wartnaby
keith.wartnaby@limit.co.uk
tel +44 (0)20 7105 4639

Claims Director
David Shears
david.shears@limit.co.uk
tel +44 (0)20 7105 4644

SYNDICATE 5555

Active Underwriter
Emilio Di Silvio
emilio.disilvio@limit.co.uk
tel +44 (0)20 7105 5714

Syndicate Manager
Ken Limber
ken.limber@limit.co.uk
tel +44 (0)20 7105 5707

Claims Director
Jerry Flaxman
jerry.flaxman@limit.co.uk
tel +44 (0)20 7105 5706

UMBRELLA SYNDICATE 2999 IS MANAGED BY LIMIT UNDERWRITING LIMITED, THE LLOYD'S DIVISION OF QBE EUROPEAN OPERATIONS, WHICH IS PART OF QBE INSURANCE GROUP.

ABOUT QBE

A global partner
QBE is one of the world's top insurers and reinsurers with a gross written premium of A$10,372 million (as at 31 December 2006). We operate out of 44 countries around the globe and have a presence in all the key insurance markets. We aim to be a leader in every one of our territories.

Our size means you can be reassured that we're stable and here to stay. It also means we can offer an exceptional range of products.

A local operation
QBE has a strong local presence in the UK. Wherever you're based in the country, our people are ideally placed to offer you a skilled and personalised service. We have a leading Lloyd's managing agency, Limit, as well as a strong company market division.

Why choose QBE?
Our size allows us to tailor packages to our clients' needs. It also means we are able to settle claims quickly and fairly, which all adds up to a great service for you and your customers.

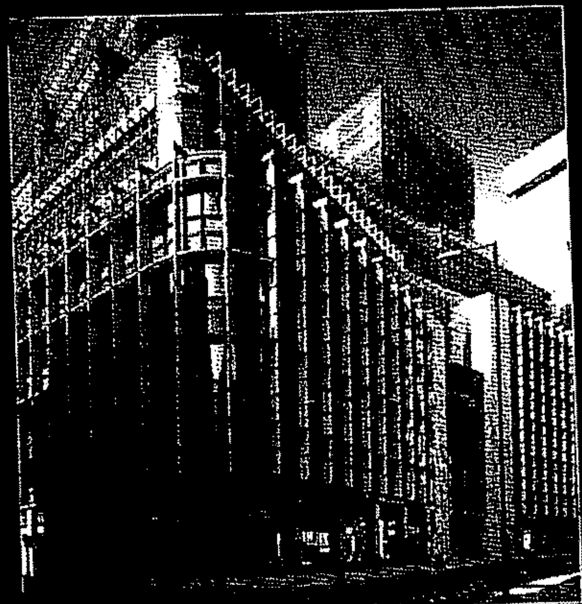
We believe in an independent approach, and we encourage all our people to think for themselves and look for innovative solutions to business challenges. This has allowed us to develop a healthy appetite for risk, and to take on business that other insurers might refuse.

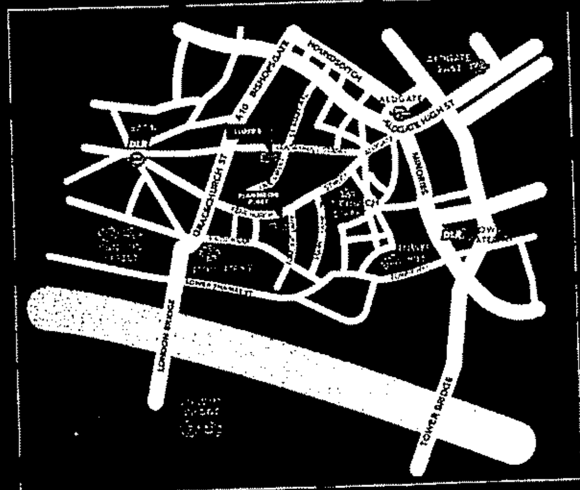
We're highly rated
As you'd expect, QBE's financial strength is rated "A+" by both Standard & Poor's and Fitch Ratings, who have also scored our long term credit rating as "A". Their outlook for all ratings is stable. Our financial strength was assigned "A" (Excellent) by A M Best.

For more information

e-mail **enquiries@qbe-europe.com**

or visit **www.QBEeurope.com/limit**





Syndicate 2999
Plantation Place
30 Fenchurch Street
London EC3M 3BD

tel +44 (0)20 7105 4000
fax +44 (0)20 7105 4019

Designed and produced by 25four www.25four.com
Printed in England by Cousin www.cousin.uk.com

QBE